

**St. Helena Community Health Center
Greensburg, Louisiana
June 30, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1-17-07

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HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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CERTIFIED PUBLIC ACCOUNTANTS

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November 1, 2006

Independent Auditor's Report

Board of Directors
St. Helena Community Health Center
Greensburg, Louisiana

Members of the Board:

We have audited the accompanying statements of financial position of the

**St. Helena Community Health Center
(A Non Profit Organization)
Greensburg, Louisiana**

as of June 30, 2006 and 2005, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the St. Helena Community Health Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Helena Community Health Center as of June 30, 2006 and 2005, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 1, 2006, on our consideration of the St. Helena Community Health Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the St. Helena Community Health Center taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

St. Helena Community Health Center
Statements of Financial Position
June 30, 2006 and 2005

Assets		<u>2006</u>	<u>2005</u>
Current Assets			
Cash and cash equivalents		\$438,636	\$415,560
Patient receivables (net of estimated uncollectibles of \$257,422 and \$160,985 at June 30, 2006 and 2005, respectively)		109,149	274,846
Grants receivable		3,881	36,250
Inventory		17,099	19,938
Prepaid expenses		<u>24,218</u>	<u>41,534</u>
<u>Total current assets</u>		592,983	788,128
Property and equipment, net		919,004	937,072
Goodwill		<u>114,000</u>	<u>114,000</u>
<u>Total assets</u>		<u>1,625,987</u>	<u>1,839,200</u>
Liabilities and Net Assets			
Current Liabilities			
Current portion of notes payable related parties		29,350	27,645
Current portion of notes payable		474,487	25,218
Accounts payable		33,576	11,724
Accrued expenses		110,153	66,010
Deferred revenue		<u> </u>	<u>444,751</u>
<u>Total current liabilities</u>		<u>647,566</u>	<u>575,348</u>
Long-term Debt			
Notes payable, related parties		232,566	261,916
Notes payable		<u> </u>	<u>474,288</u>
<u>Total long-term debt</u>		<u>232,566</u>	<u>736,204</u>
<u>Total liabilities</u>		<u>880,132</u>	<u>1,311,552</u>
Net Assets			
Unrestricted		668,249	445,202
Temporarily restricted		<u>77,606</u>	<u>82,446</u>
<u>Total net assets</u>		<u>745,855</u>	<u>527,648</u>
<u>Total liabilities and net assets</u>		<u>1,625,987</u>	<u>1,839,200</u>

The accompanying notes are an integral part of these statements.

**St. Helena Community Health Center
Statements of Activities
Years Ended June 30, 2006 and 2005**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2006 Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>2005 Total</u>
Revenue and Other Support						
Net patient revenue	\$874,367		\$874,367	\$667,663		\$667,663
Federal grant	1,458,338		1,458,338	1,026,899		1,026,899
School based clinic	235,984		235,984	240,611		240,611
Interest income from non- federal grant monies	2,688		2,688	2,669		2,669
Other	93,826	\$20,000	113,826	33,245	\$3,000	36,245
Net assets released from restrictions in satisfaction of program restrictions	<u>24,840</u>	<u>(24,840)</u>	<u> </u>	<u>23,340</u>	<u>(23,340)</u>	<u> </u>
<u>Total revenue and other support</u>	<u>2,690,043</u>	<u>(4,840)</u>	<u>2,685,203</u>	<u>1,994,427</u>	<u>(20,340)</u>	<u>1,974,087</u>
Expenses						
Salaries and wages	1,425,799		1,425,799	1,179,343		1,179,343
Benefits	330,386		330,386	206,321		206,321
Medical supplies	147,638		147,638	123,825		123,825
Office supplies	58,376		58,376	74,446		74,446
Housekeeping supplies	3,000		3,000	3,841		3,841
Contractual services	54,528		54,528	66,268		66,268
General and administrative expenses	268,927		268,927	256,200		256,200
Depreciation and amortization	48,804		48,804	69,730		69,730
Bad debts	86,064		86,064	40,403		40,403
Interest	<u>43,474</u>	<u> </u>	<u>43,474</u>	<u>46,727</u>	<u> </u>	<u>46,727</u>
<u>Total expenses</u>	<u>2,466,996</u>	<u> </u>	<u>2,466,996</u>	<u>2,067,104</u>	<u> </u>	<u>2,067,104</u>
Changes in Net Assets	223,047	(4,840)	218,207	(72,677)	(20,340)	(93,017)
Net Assets, beginning of year	<u>445,202</u>	<u>82,446</u>	<u>527,648</u>	<u>517,879</u>	<u>102,786</u>	<u>620,665</u>
Net Assets, end of year	<u>668,249</u>	<u>77,606</u>	<u>745,855</u>	<u>445,202</u>	<u>82,446</u>	<u>527,648</u>

The accompanying notes are an integral part of these statements.

St. Helena Community Health Center
Statements of Cash Flows
Years Ended June 30, 2006 and 2005

	<u>2006</u>	<u>2005</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$218,207	(\$93,017)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	48,804	69,730
Bad debt expense	86,064	40,403
Changes in operating assets and liabilities		
(Increase) decrease in		
Patient receivables	79,633	(227,342)
Grants receivable	32,369	92,215
Inventory	2,839	(6,020)
Prepaid expenses	17,316	(9,431)
Increase (decrease) in		
Accounts payable	21,852	(37,249)
Accrued expenses	44,143	(10,537)
Deferred revenue	(444,751)	270,125
<u>Net cash provided by operating activities</u>	<u>106,476</u>	<u>88,877</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	<u>(30,736)</u>	<u>(14,070)</u>
<u>Net cash (used by) investing activities</u>	<u>(30,736)</u>	<u>(14,070)</u>
Cash Flows From Financing Activities		
Principal reduction of long-term debt	(25,019)	(23,684)
Principal reduction of long-term debt related parties	<u>(27,645)</u>	<u>(26,039)</u>
<u>Net cash provided (used) by financing activities</u>	<u>(52,664)</u>	<u>(49,723)</u>
Net Increase in Cash and Cash Equivalents	23,076	25,084
Cash and Cash Equivalents, beginning of period	<u>415,560</u>	<u>390,476</u>
Cash and Cash Equivalents, end of period	<u><u>438,636</u></u>	<u><u>415,560</u></u>
Supplemental Disclosures		
Interest paid	<u><u>43,474</u></u>	<u><u>46,727</u></u>

The accompanying notes are an integral part of these statements.

St. Helena Community Health Center
Notes to Financial Statements
June 30, 2006

Note 1-Nature of Operations

The St. Helena Community Health Center (The Center) serves the medical needs of its patients in St. Helena Parish and surrounding areas. The purpose of The Center is to provide health care at a reasonable cost to those who cannot afford it financially.

Note 2-Summary of Significant Accounting Policies

A. Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting and , accordingly, reflect all significant receivables, payables, and other liabilities.

The Center has adopted Statement of Financial Accounting Standards ("SFAS") No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted assets. Unrestricted net assets include those net assets whose use by The Center is not restricted by donors, even though their use may be limited in other respects, such as by contract or board designation. Temporarily restricted net assets are those assets whose use by The Center has been limited by donors to (a) later periods of time or other specific dates, or (b) to specified purposes. Permanently restricted net assets are those net assets received with donor-imposed restrictions limiting The Center's use of the asset. The Center does not have any permanently restricted net assets.

B. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

C. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less.

D. Patient Receivables and Allowance for Uncollectible Accounts

Patient receivables are carried at the original billed amount less an estimate for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Patient receivables are written-off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

E. Inventories of Supplies

Inventories of drugs and other supplies are stated at the lower of cost (first-in, first-out) or market.

St. Helena Community Health Center
Notes to Financial Statements
June 30, 2006

Note 2-Summary of Significant Accounting Policies (Continued)

F. Property and Equipment

Property and equipment acquisitions are recorded at cost. Property and equipment donated for center operations are recorded as additions to net assets at fair value at the date of receipt.

Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed on the straight-line method. Useful lives range from 5 to 29 years.

Expenditures for major additions of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

G. Goodwill

Goodwill represents the excess of the costs of the purchased Kentwood Medical Clinic over the fair value of the net assets at the date of acquisition. In accordance with SFAS No. 142, "Goodwill and Other Tangible Assets," goodwill and intangible assets deemed to have indefinite lives will no longer be amortized, but will be subject to periodic impairment tests in accordance with the Statement. The Center will test goodwill annually for impairment. There was no change in the carrying amount of goodwill during the years ended June 30, 2006 and 2005.

H. Net Patient Revenue

The Center has a sliding fee plan for patients without any third party payors and whose income levels fall within the sliding fee guidelines. The minimum payment is \$15.00 for a visit.

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

I. Grant Revenue

Grant revenue is recorded as related expenses are incurred and reimbursement requests are submitted to the grantor agency.

J. Income Tax

The Center is exempt from income taxes under Internal Revenue Code Section 501(c)(3).

K. Advertising Costs

Advertising costs are expensed as incurred.

St. Helena Community Health Center
Notes to Financial Statements
June 30, 2006

Note 2-Summary of Significant Accounting Policies (Continued)

L. Designations of Net Assets

Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments. Designations may be reversed by the board of directors at any time. There were no designated net assets as of June 30, 2006 and 2005.

Note 3-Property and Equipment

A summary of property and equipment at June 30, 2006 and 2005, is as follows:

	<u>2006</u>	<u>2005</u>
Building	\$834,294	\$834,294
Land	78,000	78,000
Furniture and fixtures	51,281	51,281
Office equipment	307,746	277,010
Medical equipment	192,504	192,504
Leasehold improvements	<u>3,384</u>	<u>3,384</u>
	1,467,209	1,436,473
Less accumulated depreciation and amortization	<u>548,205</u>	<u>499,401</u>
Property and equipment, net	<u><u>919,004</u></u>	<u><u>937,072</u></u>

Note 4-Long-Term Debt

Long-term debts consists of the following:

	<u>2006</u>	<u>2005</u>
<u>Note Payable</u>		
Note payable to Bank of Greensburg. Interest at 5.5% secured by land and building. Payable in monthly principal and interest installments of \$4,323, with the balance of \$459,071 due March 1, 2007.	\$474,487	\$499,506
Less: current portion	<u> </u>	<u>25,218</u>
	<u>474,487</u>	<u>474,288</u>
<u>Note Payable - Related Parties</u>		
Three notes payable to Carlton S. Faller, M.D., former owner and seller of Kentwood Medical Clinic and a current employee. These are unsecured notes payable in monthly principal and interest installments of \$3,689. Two notes mature in 2009 and one note matures in 2024.	261,916	289,561
Less: current portion	<u>29,350</u>	<u>27,645</u>
	<u><u>232,566</u></u>	<u><u>261,916</u></u>

Maturities for the following five years are as follows:

2007	\$503,837
2008	31,160
2009	30,837
2010	7,296
2011	7,746
Thereafter	155,527

St. Helena Community Health Center
Notes to Financial Statements
June 30, 2006

Note 5-Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following specific program services as follows:

	<u>2006</u>	<u>2005</u>
Cash received from State of Louisiana for new building	\$57,401	\$79,241
School Based Health Newsletter	205	205
Kellogg Grant	20,000	
Entergy Grant	<u> </u>	<u>3,000</u>
	<u>77,606</u>	<u>82,446</u>

Note 6-Functional Classification of Expenses

Expenses specifically identifiable to a particular program are charged directly to the program. Management and general expenses include expenses that are not directly identifiable with a specific program, but provide for the overall support and direction of The Center.

	<u>2006</u>	<u>2005</u>
Program services	\$1,570,018	\$1,306,121
Management and general	<u>896,978</u>	<u>760,983</u>
	<u>2,466,996</u>	<u>2,067,104</u>

Note 7-Pension Plan-Defined Contribution

The Center began participating in a defined contribution plan in March, 2005 which is governed by Section 403(b) of the Internal Revenue Code. The plan covers substantially all of its employees who meet eligibility requirements. Contributions to the plan are based on 5% of the employees annual salary. The amount of the pension expense under this plan was \$42,276 and \$11,669 for the years ended June 30, 2006 and 2005, respectively.

Note 8-Medical Malpractice Claims

The Center's medical malpractice insurance is covered by the Federal Tort Claims Act.

Note 9-Concentrations of Credit Risk

The Center depends significantly on grant revenue to carry out its program activities. The grant is approved through June 30, 2007. The Center is located in Greensburg, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. Revenue from patients and third-party payors was as follows:

	<u>2006</u>	<u>2005</u>
Medicare	20%	22%
Medicaid	21%	45%
Sliding fee/private pay	33%	10%
Third party insurance	<u>26%</u>	<u>23%</u>
	<u>100%</u>	<u>100%</u>

St. Helena Community Health Center
Notes to Financial Statements
June 30, 2006

Note 9-Concentrations of Credit Risk (Continued)

At various times during the year, cash and cash equivalents on deposit with one banking institution exceeded the \$100,000 insured by the Federal Deposit Insurance Corporation. Management monitors the financial condition of the institution on a regular basis, along with their balances in cash and cash equivalents, to minimize this potential risk.

Note 10-Contingencies - Grant Program

The Center participates in federal and state grant programs, which are governed by various rules and regulations. Costs charged to the grant programs are subject to audit and adjustment by the grantor agency; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and The Center.

Note 11-Economic Dependency

The Center receives the majority of its revenue from funds provided by the U.S. Department of Health and Human Services Community Health Center Program. All funds received under the grant are federal funds and are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of funds received by the Center could be reduced by an amount that could adversely impact its operations. Management is not aware of any actions that have been taken or are proposed to be taken by the federal government that will adversely impact the Center's grant for the coming fiscal year.

Note 12-Board of Directors Compensation

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any Director.

Note 13-Commitment

The Center has a remaining commitment of approximately \$140,000 to purchase equipment and make repairs to the roof at the Kentwood office.

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November 1, 2006

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
St. Helena Community Health Center
Greensburg, Louisiana

Members of the Board:

We have audited the financial statements of the St. Helena Community Health Center (A Non-Profit Organization) Greensburg, Louisiana, as of and for the year ended June 30, 2006, and have issued our report thereon dated November 1, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Helena Community Health Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting, and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Helena Community Health Center's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statement. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 06-1 through 06-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above, we consider item 06-2 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Helena Community Health Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities, and the Louisiana Legislative Auditor, and is not intended and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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November 1, 2006

**Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Board of Directors
St. Helena Community Health Center
Greensburg, Louisiana

Members of the Board:

Compliance

We have audited the compliance of the St. Helena Community Health Center (A Non-Profit Organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. St. Helena Community Health Center's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of St. Helena Community Health Center's management. Our responsibility is to express an opinion on St. Helena Community Health Center's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the St. Helena Community Health Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the St. Helena Community Health Center's compliance with those requirements.

In our opinion St. Helena Community Health Center complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the St. Helena Community Health Center is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the St. Helena Community Health Center's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect St. Helena Community Health Center's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 06-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the audit committee, management, federal awarding agencies and pass-through entities, and the Louisiana Legislative Auditor, and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Weymouth & Carroll, L.L.P.

**St. Helena Community Health Center
Schedule of Federal Awards
Year Ended June 30, 2006**

Note 1-Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the St. Helena Community Health Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations."

<u>Federal Agency/Program</u>	<u>C.F.D.A. Number</u>	<u>Expenditures</u>
U. S. Department of Health and Human Services		
Community Health Center Program	93.224	\$1,409,622
Substance Abuse Clinic	93.959	<u>48,716</u>
<u>Total Department of Health and Human Services</u>		<u>1,458,338</u>
<u>Total expenditures of federal awards</u>		<u>1,458,338</u>

**St. Helena Community Health Center
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006**

Summary of Auditor's Results

- A. The auditor's report expresses an unqualified opinion on the financial statements of St. Helena Community Health Center.
- B. Reportable conditions 06-1 through 06-3 relating to the audit of the financial statements are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
- C. Reportable condition 06-2 is considered to be an instance of non-compliance material to the financial statements of St. Helena Community Health Center, which is required to be reported in accordance with *Government Auditing Standards*.
- D. Reportable condition 06-1 relating to the audit of the major federal award program is reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
- E. The auditor's report on compliance for the major federal award program for St. Helena Community Health Center expresses an unqualified opinion on its major federal program.
- F. Findings relative to the major federal award program for St. Helena Community Health Center are reported in this Schedule as finding 06-1.
- G. The program tested as a major program included:

<u>Program</u>	<u>C.F.D.A. #</u>
U.S. Department of Health and Human Services Community Health Center Program	93.224

- H. The threshold used for distinguishing between Type A and B programs was \$300,000.
- I. St. Helena Community Health Center qualified as a low risk auditee.

**St. Helena Community Health Center
Summary Schedule of Current Year Audit Findings
Year Ended June 30, 2006**

Findings - Financial Statement Audit

Internal Controls

**Questioned
Costs**

Finding 2006-1 Travel Per Diem

Condition:	Lack of documentation and/or approval for employees and board members' travel expenses.	\$17,947
Recommendation:	Attach approval and documentation to the travel expense report.	
Management's Response:	All travel related documentation will be attached to the travel expense report along with approval and a copy of any checks paid to the employees and/or board members.	

Finding 2006-2 Reconciliation of Accounts Receivable Subsidiary to General Ledger

Condition:	The Center is not reconciling the accounts receivable subsidiary to the general ledger. The general ledger and subsidiary balances were out of balance by \$40,828.
Recommendation:	The Center needs to reconcile general ledger to the subsidiary on a monthly basis.
Management's Response:	The general ledger will be reconciled to the subsidiary on a monthly basis by the Chief Financial Officer.

Finding 2006-3 403(b) Payroll Deductions

Condition:	Payroll deductions for the 403(b) plan are not being remitted on a timely basis.
Recommendation:	Funds deducted from employee checks for the purpose of 403(b) contributions should be remitted on a timely basis.
Management's Response:	403(b) plan contributions will be remitted on a timely basis which the Executive Director will monitor this activity.

**St. Helena Community Health Center
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2006**

Findings - Financial Statement Audit

Finding 2005-1 Travel Per Diem

Condition:	Lack of documentation for per diem paid to employees/board members for out of town travel.
Recommendation:	Attach documentation for per diem to the travel expense report.
Current Status:	This repeats as current year finding 2006-1.

Finding 2005-2 Medicaid Billings

Condition:	Medicaid is not billed in a timely manner due to a change in reporting requirements from Medicaid. The Center's software has not been setup to generate the reports necessary to file a proper Medicaid billing report.
Recommendation:	The Center needs to complete the required billing reports by whatever means necessary until the software issue is resolved.
Current Status:	This finding has been corrected and the client is billing on a timely basis.

Finding 2005-3 Excess Draw down of grant award

Condition:	Grant funds have been drawn down in excess of amount budgeted.
Recommendation:	The Center should prepare a financial status report quarterly and determine whether additional funds should be requested.
Current Status:	This finding has been corrected. The Center is now preparing a financial status report monthly.